DA VINCI SCHOOLS

AUDIT REPORT

FOR THE YEAR ENDED
JUNE 30, 2016

A NONPROFIT PUBLIC BENEFIT CORPORATION
OPERATING THE FOLLOWING CALIFORNIA PUBLIC CHARTER SCHOOLS

Da Vinci Design
Da Vinci Science
Da Vinci Innovation Academy
Da Vinci Communications High
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FINANCIAL SECTION
INDEPENDENT AUDITORS’ REPORT

To the Board of Trustees of
Da Vinci Schools
Hawthorne, California

Report on the Financial Statements

We have audited the accompanying financial statements of Da Vinci Schools (the “Organization”) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Da Vinci Schools as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Da Vinci Schools taken as a whole. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2016, on our consideration of the Organization’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization’s internal control over financial reporting and compliance.

Cheryl White Associates

San Diego, California
December 12, 2016
### ASSETS

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$4,385,463</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>632,157</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>2,833</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>5,020,453</td>
</tr>
<tr>
<td><strong>Capital assets</strong></td>
<td></td>
</tr>
<tr>
<td>Property and equipment</td>
<td>454,133</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(257,714)</td>
</tr>
<tr>
<td><strong>Total capital assets, net</strong></td>
<td>196,419</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$5,216,872</td>
</tr>
</tbody>
</table>

### LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$1,298,998</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>2,143</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>1,301,141</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>3,632,102</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>283,629</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>3,915,731</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>$5,216,872</td>
</tr>
</tbody>
</table>
DA VINCI SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

SUPPORT AND REVENUES

<table>
<thead>
<tr>
<th>Temporary</th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal and state support and revenues</td>
<td>$ 10,784,596</td>
<td>$ -</td>
<td>$ 10,784,596</td>
</tr>
<tr>
<td>Local control funding formula, state aid</td>
<td>$ 10,784,596</td>
<td>$ -</td>
<td>$ 10,784,596</td>
</tr>
<tr>
<td>Federal revenues</td>
<td>$ 829,338</td>
<td>$ -</td>
<td>$ 829,338</td>
</tr>
<tr>
<td>Other state revenues</td>
<td>$ 1,962,531</td>
<td>$ 134,921</td>
<td>$ 2,097,452</td>
</tr>
<tr>
<td>Total federal and state support and revenues</td>
<td>$ 13,576,465</td>
<td>$ 134,921</td>
<td>$ 13,711,386</td>
</tr>
<tr>
<td>Local support and revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments in lieu of property taxes</td>
<td>$ 2,139,286</td>
<td>$ -</td>
<td>$ 2,139,286</td>
</tr>
<tr>
<td>Grants and donations</td>
<td>$ 688,129</td>
<td>$ -</td>
<td>$ 688,129</td>
</tr>
<tr>
<td>Investment income, net</td>
<td>$ 17,891</td>
<td>$ -</td>
<td>$ 17,891</td>
</tr>
<tr>
<td>Other local revenues</td>
<td>$ 538,605</td>
<td>$ -</td>
<td>$ 538,605</td>
</tr>
<tr>
<td>Total local support and revenues</td>
<td>$ 3,383,911</td>
<td>$ -</td>
<td>$ 3,383,911</td>
</tr>
<tr>
<td>Donor restrictions satisfied</td>
<td>$ 107,658</td>
<td>(107,658)</td>
<td>$ -</td>
</tr>
<tr>
<td>Total Support and Revenues</td>
<td>$ 17,068,034</td>
<td>$ 27,263</td>
<td>$ 17,095,297</td>
</tr>
</tbody>
</table>

EXPENSES

<table>
<thead>
<tr>
<th>Temporary</th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>$ 11,490,343</td>
<td>$ -</td>
<td>$ 11,490,343</td>
</tr>
<tr>
<td>Supporting services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>$ 3,596,131</td>
<td>$ -</td>
<td>$ 3,596,131</td>
</tr>
<tr>
<td>Fundraising</td>
<td>$ 268,205</td>
<td>$ -</td>
<td>$ 268,205</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$ 15,354,679</td>
<td>$ -</td>
<td>$ 15,354,679</td>
</tr>
</tbody>
</table>

CHANGE IN NET ASSETS

<table>
<thead>
<tr>
<th>Temporary</th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets - Beginning</td>
<td>$ 1,918,747</td>
<td>$ 256,366</td>
<td>$ 2,175,113</td>
</tr>
<tr>
<td>Net Assets - Ending</td>
<td>$ 3,632,102</td>
<td>$ 283,629</td>
<td>$ 3,915,731</td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
## Statement of Cash Flows

**For the Year Ended June 30, 2016**

### Cash Flows from Operating Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$1,740,618</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>75,649</td>
</tr>
<tr>
<td>(Increase) decrease in operating assets</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(95,563)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>62,282</td>
</tr>
<tr>
<td>Increase (decrease) in operating liabilities</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(393,396)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(87,436)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>1,302,154</td>
</tr>
</tbody>
</table>

### Cash Flows from Investing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of capital assets</td>
<td>(23,617)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td>(23,617)</td>
</tr>
</tbody>
</table>

### Net Increase (Decrease) in Cash and Cash Equivalents

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents - Beginning</td>
<td>3,106,926</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents - Ending</strong></td>
<td>$4,385,463</td>
</tr>
</tbody>
</table>

### Supplemental Disclosure

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid on interest</td>
<td>$-</td>
</tr>
</tbody>
</table>
NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Da Vinci Schools (the “Organization”), located in Los Angeles County, was formed as a nonprofit public benefit corporation in the State of California on September 10, 2008 under the name Wiseburn 21st Century Charter Schools. In March 2013, the Organization changed its name and began operating as Da Vinci Schools. The main purpose of the Organization is to manage public charter schools: Da Vinci Design, Da Vinci Science, Da Vinci Innovation Academy, and Da Vinci Communications High; known collectively as the Da Vinci Schools (the “Charters”).

Da Vinci Science (formally called STEM Project Center) was approved by the State Board of Education on January 8, 2009 under California Charter No. 1081. Da Vinci Design was approved on May 7, 2009 under California Charter No. 1060. Classes began in August 2009 for Da Vinci Science and Da Vinci Science. Da Vinci Innovation began its first year of operation in 2013-14 after approval on September 4, 2013 under California Charter No. 1597. In 2014-15, Da Vinci Communications High began operations following approval on September 3, 2014 as California Charter No. 1689.

Wiseburn Unified School District is the authorizing agency for all four charter schools operated by the Organization. The Charters are authorized to instruct grades K-12. Da Vinci Science, Da Vinci Design, and Da Vinci Communications High currently serve students in grades 9-12 and Da Vinci Innovations Academy offers non-classroom based instruction to grades K-8. Funding sources consist of state apportionments, grants and donations from the public.

The mission of Da Vinci Schools is to provide students with rigorous and relevant academic and workplace skills, preparing its graduates for rewarding lives in our increasingly technological society. The specific goals of the Charters are to successfully integrate technical and academic education into a school that prepares students for post-secondary education and for leadership in the high technology industry; to increase the number of underrepresented students in math and engineering who succeed in high school and post-secondary education and who become productive members and leaders in the South Bay and Los Angeles area high technology industry; and to provide all of the Charters’ students with an extraordinary education that prepares them to be thoughtful, engaging citizens in our increasingly technological society.

B. Basis of Accounting

The Organization’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.
NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Financial Statement Presentation

Da Vinci Schools is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include all resources available for use by the Board of Directors and management’s discretion in carrying out the activities of the organization in accordance with its Bylaws. Temporarily or permanently restricted net assets are only expendable for the purposes specified by the donor or through the passage of time. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets are generally required to be held by the organization in perpetuity while the earnings on those assets are available for use by the organization to support operations. Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged. Fund accounting is not used in the Organization’s financial statement presentation.

E. Contributions

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

F. In Lieu of Property Taxes Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes payments to Da Vinci Schools. Revenues are recognized by the Organization when earned.

G. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities. Certain costs and expenses have been allocated between program and supporting services based on management’s estimates.

H. Cash and Investments

Da Vinci Schools considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents. The Organization’s method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities.
NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management’s judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Organization establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2016, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

J. Capital Assets

Da Vinci Schools has adopted a policy to capitalize asset purchases over $5,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose or is requiring the Organization to hold the asset for a specified period of time. Capital assets are depreciated using the straight-line method. Building improvements are depreciated over ten years, furniture is depreciated over seven years, vehicles are depreciated over five years, and equipment and software are depreciated over three years.

K. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

L. Income Taxes

Da Vinci Schools is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a charitable corporation organized and operated primarily as an educational institution, the Organization is not required to register with the California Attorney General as a charity.

The Organization’s management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Organization’s information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.
NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fair Value Measurements

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- **Level 1**: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- **Level 2**: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- **Level 3**: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2016, consist of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in county treasury</td>
<td>$3,908,845</td>
</tr>
<tr>
<td>Cash in banks, non-interest bearing</td>
<td>470,484</td>
</tr>
<tr>
<td>Cash in banks, interest bearing</td>
<td>6,134</td>
</tr>
<tr>
<td><strong>Total Cash and Cash Equivalents</strong></td>
<td><strong>$4,385,463</strong></td>
</tr>
</tbody>
</table>

**Cash in Bank**

Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. Da Vinci Schools does not have a policy for custodial credit risk for deposits. The FDIC insures up to $250,000 per depositor per insured bank. As of June 30, 2016, the Organization’s bank balance of $248,722 was exposed to custodial credit risk as there were deposits over $250,000 in accounts at Wells Fargo Bank.

**Cash in County Treasury**

Da Vinci Schools is a voluntary participant in an external investment pool. The fair value of the Charters’ investment in the pool is reported in the financial statements at amounts based upon the Charters’ pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer. The Organization’s investments in the Los Angeles County Investment Pool, which combines the Charters’ shares of the portfolio, has a combined fair value of $3,913,412.
NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest Charter funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the California Government Code:

<table>
<thead>
<tr>
<th>Authorized Investment Type</th>
<th>Maximum Remaining Maturity</th>
<th>Maximum Percentage of Portfolio</th>
<th>Maximum Investment in One Issuer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Bonds, Notes, Warrants</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Registered State Bonds, Notes, Warrants</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>U.S. Treasury Obligations/Securities</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Banker’s Acceptance</td>
<td>180 days</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>270 days</td>
<td>25%</td>
<td>10%</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit</td>
<td>5 years</td>
<td>30%</td>
<td>None</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>1 year</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Reverse Repurchase Agreements</td>
<td>92 days</td>
<td>20% of base</td>
<td>None</td>
</tr>
<tr>
<td>Medium-Term Corporate Notes</td>
<td>5 years</td>
<td>30%</td>
<td>None</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>N/A</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>N/A</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Mortgage Pass-Through Securities</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>County Pooled Investment Funds</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Joint Powers Authority Pools</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2016, consists of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal sources</td>
<td>$170,193</td>
</tr>
<tr>
<td>State sources (non-LCFF)</td>
<td>238,294</td>
</tr>
<tr>
<td>Payments in lieu of property taxes</td>
<td>149,348</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>9,176</td>
</tr>
<tr>
<td>Due from authorizing agency</td>
<td>65,146</td>
</tr>
<tr>
<td><strong>Total Accounts Receivable</strong></td>
<td><strong>$632,157</strong></td>
</tr>
</tbody>
</table>
NOTE 4 – CAPITAL ASSETS

Capital asset activity during the year ended June 30, 2016 is as follows:

<table>
<thead>
<tr>
<th>Building improvements</th>
<th>Balance</th>
<th>Additions</th>
<th>Disposals</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2015</td>
<td>$ 5,880</td>
<td>-</td>
<td>-</td>
<td>$ 5,880</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>424,636</td>
<td>23,617</td>
<td>-</td>
<td>448,253</td>
</tr>
<tr>
<td>Total at historical cost</td>
<td>430,516</td>
<td>23,617</td>
<td>-</td>
<td>454,133</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(182,065)</td>
<td>(75,649)</td>
<td>-</td>
<td>(257,714)</td>
</tr>
<tr>
<td>Capital Assets, net</td>
<td>$ 248,451</td>
<td>$ (52,032)</td>
<td>-</td>
<td>$ 196,419</td>
</tr>
</tbody>
</table>

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2016, consists of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits payable</td>
<td>$ 727,167</td>
</tr>
<tr>
<td>Overpayment of revenues</td>
<td>173,502</td>
</tr>
<tr>
<td>Employee benefits contingency</td>
<td>122,156</td>
</tr>
<tr>
<td>Due to authorizing agency</td>
<td>5,838</td>
</tr>
<tr>
<td>Vendor payables</td>
<td>270,335</td>
</tr>
<tr>
<td><strong>Total Accounts Payable</strong></td>
<td>$ 1,298,998</td>
</tr>
</tbody>
</table>

NOTE 6 – NET ASSETS

Total net assets at June 30, 2016 were designated for the following purposes:

<table>
<thead>
<tr>
<th>Description</th>
<th>Da Vinci Design</th>
<th>Da Vinci Science</th>
<th>Da Vinci Innovations Academy</th>
<th>Da Vinci Communications High</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporarily restricted net assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northrop/Cal Poly Program</td>
<td>$ -</td>
<td>$ 100,000</td>
<td>-</td>
<td>-</td>
<td>$ 100,000</td>
</tr>
<tr>
<td>State imposed restrictions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>California Clean Energy Jobs Act</td>
<td>54,535</td>
<td>54,173</td>
<td>-</td>
<td>-</td>
<td>108,708</td>
</tr>
<tr>
<td>Educator Effectiveness Program</td>
<td>22,695</td>
<td>38,929</td>
<td>98</td>
<td>13,199</td>
<td>74,921</td>
</tr>
<tr>
<td><strong>Total temporarily restricted net assets</strong></td>
<td>77,230</td>
<td>193,102</td>
<td>98</td>
<td>13,199</td>
<td>283,629</td>
</tr>
<tr>
<td>Unrestricted net assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>90,274</td>
<td>51,594</td>
<td>22,064</td>
<td>32,487</td>
<td>196,419</td>
</tr>
<tr>
<td>Board designated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One time money</td>
<td>258,665</td>
<td>269,282</td>
<td>161,194</td>
<td>68,397</td>
<td>757,538</td>
</tr>
<tr>
<td>Increase in facilities cost</td>
<td>90,000</td>
<td>90,000</td>
<td>45,000</td>
<td>45,000</td>
<td>270,000</td>
</tr>
<tr>
<td>STRS increase</td>
<td>138,000</td>
<td>137,000</td>
<td>61,000</td>
<td>44,000</td>
<td>380,000</td>
</tr>
<tr>
<td><strong>Total board designated</strong></td>
<td>576,939</td>
<td>547,876</td>
<td>289,258</td>
<td>189,884</td>
<td>1,603,957</td>
</tr>
<tr>
<td>Undesignated</td>
<td>829,500</td>
<td>988,625</td>
<td>188,669</td>
<td>21,351</td>
<td>2,028,145</td>
</tr>
<tr>
<td><strong>Total unrestricted net assets</strong></td>
<td>1,406,439</td>
<td>1,536,501</td>
<td>477,927</td>
<td>211,235</td>
<td>3,632,102</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>$ 1,483,669</td>
<td>$ 1,729,603</td>
<td>$ 478,025</td>
<td>$ 224,434</td>
<td>$ 3,915,731</td>
</tr>
</tbody>
</table>
NOTE 7 – DONATED MATERIALS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Da Vinci Schools in an effort to advance the Charters’ programs and objectives. These services have not been recorded in the Organization’s financial statements because they do not meet the criteria required by generally accepted accounting principles.

NOTE 8 – RELATED PARTY TRANSACTIONS

Authorizing Agency

The Organization makes payments to the Wiseburn Unified School District for financial support, to provide business services such as human resources, attendance accounting and payroll services, in addition to fees and services for administrative oversight as the authorizing agency. In accordance with California Education Code 4713(b), the authorizing agency may charge actual costs of oversight not to exceed 3% of revenue from local control funding formula sources if the authorizing agency also provides substantially free facilities; Wiseburn Unified School District provides such facilities. Total fees paid to the District for oversight and facility usage amounted to $282,843 and total payments for back office support amounted to $129,223 for the fiscal year ending June 30, 2016.

During the fiscal year ended June 30, 2016, the Organization entered into agreement with the Wiseburn Unified School District for personnel services. The agreement covers salaries and benefits for three employees who receive reportable compensation issued under the Wiseburn Unified School District though they provide their compensated services to the Charters and in consideration for the their services, the Organization reimburses the authorizing agency based on the actual salaries and benefits paid to the three employees covered by the agreement. Additionally, the Organization pays the salary of one employee whose compensated services are to the Wiseburn District. In turn, the District reimburses the Organization for this employee’s time and effort.

Receivables and payables due between the Organization and the District, if any, are classified as due to/from authorizing agency within Notes 3 and 5.

Inter-Agency Activity

Receivables and payables due between the separate operating units of the Organization are classified as due to/due from related entities within the Statement of Financial Position by Charter. Inter-agency transactions and balances are eliminated in the financial statements of Da Vinci Schools to better reflect the true activities of the corporation.

In 2013-14, the Organization began accounting for a separate operating unit for charter management. The purpose was to separate the activity associated with management services and facility maintenance for the supported charter schools. The charter management unit provides business office support, professional development, and other services to support Da Vinci Science, Da Vinci Design, Da Vinci Innovation Academy, and Da Vinci Communications.
NOTE 9 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with California Education Code 47605, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charter has made such election. Certificated employees are members of the California State Teachers’ Retirement System (CalSTRS), and all other employees are covered under an alternative plan. As established by federal law, all public sector employees who are not members of their employer’s existing retirement plan (CalSTRS) must be covered by social security or an alternative plan. The Organization uses social security as their alternative plan.

California State Teachers’ Retirement System (CalSTRS)

Plan Description
Da Vinci Schools contributes to the California State Teachers’ Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers’ Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

Funding Policy
Active plan members are required to contribute 8.56% or 9.20% of their 2015-16 salary depending on the employee’s membership date in the plan. The required employer contribution rate for fiscal year 2015-16 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. The Organization’s contributions to CalSTRS for the last three fiscal years were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Contribution</th>
<th>Percent of Required Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>$743,855</td>
<td>100%</td>
</tr>
<tr>
<td>2014-15</td>
<td>$530,756</td>
<td>100%</td>
</tr>
<tr>
<td>2013-14</td>
<td>$434,754</td>
<td>100%</td>
</tr>
</tbody>
</table>

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Da Vinci Schools is estimated at $376,380 (7.126% of creditable compensation subject to CalSTRS in 2013-14). Of this amount, $154,674 is allocated to Da Vinci Design, $158,011 to Da Vinci Science, and $63,695 to Da Vinci Innovations Academy. Da Vinci Communications High will become eligible to receive on behalf payments beginning 2016-17.
NOTE 10 – COMMITMENTS AND CONTINGENCIES

Federal and State Grants
Da Vinci Schools has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Joint Powers Agency (JPA)
During the year ended June 30, 2016, Da Vinci Schools participated in a joint venture with the CharterSafe, formerly operated as California Charter Schools Joint Powers Authority (CCSA). CharterSafe arranges for insurance coverage related to property, general liability, automobile, worker’s compensation, and other miscellaneous liability coverage specific to operation of a charter school. The relationship between the Organization and the JPA is such that the JPA is not financially inter-related to the Organization for financial reporting purposes.

Facilities Use Agreement
The Organization has full and exclusive use of the District-owned facility located at 13500 Aviation Boulevard in Hawthorne, California, for operation of the Da Vinci Science and Da Vinci Innovation Academy charter schools. Da Vinci Design and Da Vinci Communications High are also in agreement with the District for a District-owned facility located at 12495 and 12501 South Isis Avenue. The facilities were utilized by the Charters’ for instructional services in order to meet the educational goals established by the Organization. See Note 8 for total payments to the District as the authorizing agency.

Outstanding Construction Commitments
In November 2014, the State Allocation Board (SAB) for the Office of Public School Construction reviewed requests for preliminary apportionment for Da Vinci Design and Da Vinci Science. Under the Charter School Facility Program, the Organization received State funding of approximately $52.7 million to cover half the cost of a charter school facility construction project. The Organization is required to match the State grant to fund the remaining cost of the project. The Organization has partnered with the Wiseburn Unified School District to fiscally manage the funds as well as oversee and manage the approved SAB construction project.

Multi-employer Defined Benefit Plan Participation
Under current law on multiemployer defined benefit plans, the Charters’ voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Charters to make payments to the plan, which would approximate the Charters’ proportionate share of the multiemployer plan’s unfunded vested liabilities. CalSTRS has estimated that the Charters’ share of withdrawal liability is approximately $8,250,524 as of June 30, 2015. The Charter does not currently intend to withdraw from CalSTRS. Refer to Note 9 for additional information on employee retirement plans.

NOTE 11 – SUBSEQUENT EVENTS

Da Vinci Schools has evaluated subsequent events for the period from June 30, 2016 through December 12, 2016, the date the financial statements were available to be issued. In November 2016, articles of incorporation were filed to establish a limited liability company under the name RISE Charter School, LLC (the “LLC”) whereby the Organization is the sole-member of the LLC. Management did not identify any other events or transactions that require disclosure or that would have an impact on the financial statements.
SUPPLEMENTARY INFORMATION SECTION
DA VINCI SCHOOLS  
STATEMENT OF FINANCIAL POSITION BY CHARTER  
JUNE 30, 2016

<table>
<thead>
<tr>
<th>California Public Charter Schools</th>
<th>No. 1081</th>
<th>No. 1060</th>
<th>No. 1597</th>
<th>No. 1689</th>
<th>Da Vinci Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter Management</td>
<td>Da Vinci Design</td>
<td>Da Vinci Science</td>
<td>Innovation Academy</td>
<td>Communications High</td>
<td>Inter-Agency Eliminations</td>
</tr>
<tr>
<td>Current assets</td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$476,618</td>
<td>$1,723,394</td>
<td>$2,185,451</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>-</td>
<td>216,403</td>
<td>178,869</td>
<td>92,993</td>
<td>143,892</td>
</tr>
<tr>
<td>Due from related entity</td>
<td>285,021</td>
<td>10,000</td>
<td>-</td>
<td>396,064</td>
<td>66,903</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>-</td>
<td>763</td>
<td>2,070</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total current assets</td>
<td>761,639</td>
<td>1,950,560</td>
<td>2,366,390</td>
<td>489,057</td>
<td>210,795</td>
</tr>
<tr>
<td>Capital assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment</td>
<td>-</td>
<td>146,378</td>
<td>227,254</td>
<td>37,917</td>
<td>42,584</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>-</td>
<td>(56,104)</td>
<td>(175,660)</td>
<td>(15,853)</td>
<td>(10,097)</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>-</td>
<td>90,274</td>
<td>51,594</td>
<td>22,064</td>
<td>32,487</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$761,639</td>
<td>$2,040,834</td>
<td>$2,417,984</td>
<td>$511,121</td>
<td>$243,282</td>
</tr>
</tbody>
</table>

LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$288,672</td>
<td>$446,666</td>
<td>$511,716</td>
<td>$33,096</td>
<td>$18,848</td>
</tr>
<tr>
<td>Due to related entity</td>
<td>472,967</td>
<td>110,499</td>
<td>174,522</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>-</td>
<td>-</td>
<td>2,143</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>761,639</td>
<td>557,165</td>
<td>688,381</td>
<td>33,096</td>
<td>18,848</td>
</tr>
</tbody>
</table>

| Net assets                       |          |          |          |          |                 |                 |            |
| Unrestricted                     | -        | 1,406,439| 1,536,501| 477,927  | 211,235         | -               | 3,632,102  |
| Temporarily restricted           | -        | 77,230   | 193,102  | 98       | 13,199          | -               | 283,629    |
| Total net assets                 | -        | 1,483,669| 1,729,603| 478,025  | 224,434         | -               | 3,915,731  |
| Total Liabilities and Net Assets | $761,639 | $2,040,834| $2,417,984| $511,121 | $243,282        | (757,988)       | $5,216,872 |

See accompanying note to supplementary information.
## DA VINCI SCHOOLS
### STATEMENT OF ACTIVITIES BY CHARTER
#### FOR THE YEAR ENDED JUNE 30, 2016

<table>
<thead>
<tr>
<th>California Public Charter Schools</th>
<th>No. 1081</th>
<th>No. 1060</th>
<th>No. 1597</th>
<th>No. 1689</th>
<th>Da Vinci Schools Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Da Vinci Design</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Da Vinci Science</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation Academy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communications High</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UNRESTRICTED SUPPORT AND REVENUES</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal and state support and revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local control funding formula, state aid</td>
<td>$3,759,460</td>
<td>$3,658,130</td>
<td>$1,965,776</td>
<td>$1,401,230</td>
<td>$10,784,596</td>
</tr>
<tr>
<td>Federal revenues</td>
<td>250,692</td>
<td>208,632</td>
<td>-</td>
<td>370,014</td>
<td>829,338</td>
</tr>
<tr>
<td>Other state revenues</td>
<td>685,999</td>
<td>688,015</td>
<td>371,329</td>
<td>217,188</td>
<td>1,962,531</td>
</tr>
<tr>
<td>Total federal and state support and revenues</td>
<td>4,696,151</td>
<td>4,554,777</td>
<td>2,337,105</td>
<td>1,988,432</td>
<td>13,576,465</td>
</tr>
<tr>
<td>Local support and revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments in lieu of property taxes</td>
<td>705,565</td>
<td>689,685</td>
<td>473,972</td>
<td>270,064</td>
<td>2,139,286</td>
</tr>
<tr>
<td>Grants and donations</td>
<td>150,518</td>
<td>454,104</td>
<td>54,078</td>
<td>29,429</td>
<td>688,129</td>
</tr>
<tr>
<td>Investment income, net</td>
<td>6,431</td>
<td>7,202</td>
<td>3,133</td>
<td>1,125</td>
<td>17,891</td>
</tr>
<tr>
<td>Other local revenues</td>
<td>176,139</td>
<td>245,076</td>
<td>63,286</td>
<td>54,104</td>
<td>538,605</td>
</tr>
<tr>
<td>Total local support and revenues</td>
<td>1,038,653</td>
<td>1,396,067</td>
<td>594,469</td>
<td>354,722</td>
<td>3,383,911</td>
</tr>
<tr>
<td>Donor restrictions satisfied</td>
<td>42,714</td>
<td>47,444</td>
<td>17,500</td>
<td>-</td>
<td>107,658</td>
</tr>
<tr>
<td>Total Unrestricted Support and Revenues</td>
<td>5,777,518</td>
<td>5,998,288</td>
<td>2,949,074</td>
<td>2,343,154</td>
<td>17,068,034</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>3,939,885</td>
<td>4,141,420</td>
<td>1,795,933</td>
<td>1,613,105</td>
<td>11,490,343</td>
</tr>
<tr>
<td>Supporting services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>1,233,897</td>
<td>1,172,036</td>
<td>689,932</td>
<td>500,266</td>
<td>3,596,131</td>
</tr>
<tr>
<td>Fundraising</td>
<td>75,178</td>
<td>141,912</td>
<td>28,352</td>
<td>22,763</td>
<td>268,205</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>5,248,960</td>
<td>5,455,368</td>
<td>2,514,217</td>
<td>2,136,134</td>
<td>15,354,679</td>
</tr>
<tr>
<td>Increase (decrease) in Unrestricted Net Assets</td>
<td>528,558</td>
<td>542,920</td>
<td>434,857</td>
<td>207,020</td>
<td>1,713,355</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RESTRICTED SUPPORT AND REVENUES</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Other state revenues</td>
<td>57,195</td>
<td>46,929</td>
<td>17,598</td>
<td>13,199</td>
<td>134,921</td>
</tr>
<tr>
<td>Donor restrictions released</td>
<td>(42,714)</td>
<td>(47,444)</td>
<td>(17,500)</td>
<td>-</td>
<td>(107,658)</td>
</tr>
<tr>
<td>Total Restricted Support and Revenues</td>
<td>14,481</td>
<td>(515)</td>
<td>98</td>
<td>13,199</td>
<td>27,263</td>
</tr>
<tr>
<td>Increase (decrease) in Temporarily Restricted Net Assets</td>
<td>14,481</td>
<td>(515)</td>
<td>98</td>
<td>13,199</td>
<td>27,263</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHANGE IN NET ASSETS</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets - Beginning</td>
<td>543,039</td>
<td>542,405</td>
<td>434,955</td>
<td>220,219</td>
<td>1,740,618</td>
</tr>
<tr>
<td>Net Assets - Ending</td>
<td>$1,483,669</td>
<td>$1,729,603</td>
<td>$478,025</td>
<td>$224,434</td>
<td>$3,915,731</td>
</tr>
</tbody>
</table>

See accompanying note to supplementary information.
## STATEMENT OF CASH FLOWS BY CHARTER

FOR THE YEAR ENDED JUNE 30, 2016

<table>
<thead>
<tr>
<th>California Public Charter Schools</th>
<th>No. 1081</th>
<th>No. 1069</th>
<th>No. 1597</th>
<th>No. 1689</th>
<th>Da Vinci Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Charter</td>
<td>Da Vinci</td>
<td>Da Vinci</td>
<td>Da Vinci</td>
<td>Inter-Agency</td>
</tr>
<tr>
<td></td>
<td>Management</td>
<td>Design</td>
<td>Science</td>
<td>Innovation</td>
<td>Communications</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Eliminations</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>No. 1081</th>
<th>No. 1069</th>
<th>No. 1597</th>
<th>No. 1689</th>
<th>Da Vinci Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$543,039</td>
<td>$542,405</td>
<td>$434,955</td>
<td>$220,219</td>
<td>$1,740,618</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities</td>
<td>$33,905</td>
<td>23,049</td>
<td>10,229</td>
<td>8,466</td>
<td>75,649</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(22,714)</td>
<td>73,614</td>
<td>(27,648)</td>
<td>(118,815)</td>
<td>(95,563)</td>
</tr>
<tr>
<td>(Increase) decrease in operating assets</td>
<td>533,700</td>
<td>(10,000)</td>
<td>(396,064)</td>
<td>(22,727)</td>
<td>(104,909)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>23,043</td>
<td>23,258</td>
<td>9,906</td>
<td>6,075</td>
<td>62,282</td>
</tr>
<tr>
<td>Increase (decrease) in operating liabilities</td>
<td>(638,640)</td>
<td>(110,903)</td>
<td>(86,318)</td>
<td>(17,680)</td>
<td>(393,396)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(2,298)</td>
<td>2,143</td>
<td>-</td>
<td>(87,281)</td>
<td>(87,436)</td>
</tr>
<tr>
<td>Due to related entity</td>
<td>472,968</td>
<td>(293,475)</td>
<td>(222,681)</td>
<td>(61,721)</td>
<td>-</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>358,028</td>
<td>382,403</td>
<td>528,106</td>
<td>-</td>
<td>1,302,154</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>No. 1081</th>
<th>No. 1069</th>
<th>No. 1597</th>
<th>No. 1689</th>
<th>Da Vinci Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of capital assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(23,617)</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(23,617)</td>
</tr>
</tbody>
</table>

### NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th>No. 1081</th>
<th>No. 1069</th>
<th>No. 1597</th>
<th>No. 1689</th>
<th>Da Vinci Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents - Beginning</td>
<td>108,590</td>
<td>1,340,991</td>
<td>1,657,345</td>
<td>-</td>
<td>3,106,926</td>
</tr>
<tr>
<td>Cash and cash equivalents - Ending</td>
<td>$476,618</td>
<td>$1,723,394</td>
<td>$2,185,451</td>
<td>-</td>
<td>$4,385,463</td>
</tr>
</tbody>
</table>

See accompanying note to supplementary information.
Da Vinci Schools, a California non-profit public benefit corporation, operates four state board approved charter schools (the “Charters”). The Charters are located in Los Angeles County and are all sponsored by the Wiseburn Unified School District, the authorizing agency. Information on each of the Charters is as follows:

<table>
<thead>
<tr>
<th>Charter School</th>
<th>Classes Begun</th>
<th>Grades Served</th>
<th>Charter Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Da Vinci Design</td>
<td>8/18/2009</td>
<td>9 - 12</td>
<td>1081</td>
</tr>
<tr>
<td>Da Vinci Science</td>
<td>8/17/2009</td>
<td>9 - 12</td>
<td>1060</td>
</tr>
<tr>
<td>Da Vinci Innovation Academy</td>
<td>8/19/2013</td>
<td>K - 8</td>
<td>1597</td>
</tr>
<tr>
<td>Da Vinci Communications High</td>
<td>8/12/2014</td>
<td>9 - 12</td>
<td>1689</td>
</tr>
</tbody>
</table>

The Charters are governed by the following Board of Trustees of the Organization:

**BOARD OF TRUSTEES**

<table>
<thead>
<tr>
<th>Name</th>
<th>Office</th>
<th>Term Expiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Chet Pipkin</td>
<td>President</td>
<td>September 2017</td>
</tr>
<tr>
<td>Dr. Donald Brann</td>
<td>Vice President</td>
<td>September 2017</td>
</tr>
<tr>
<td>Mr. Brian Meath</td>
<td>Treasurer</td>
<td>June 2019</td>
</tr>
<tr>
<td>Mrs. Jennifer Morgan</td>
<td>Secretary</td>
<td>June 2019</td>
</tr>
<tr>
<td>Mr. Art Lofton</td>
<td>Trustee</td>
<td>July 2018</td>
</tr>
<tr>
<td>Mr. Israel Mora</td>
<td>Trustee</td>
<td>February 2019</td>
</tr>
<tr>
<td>Mr. Roger Bañuelos</td>
<td>Trustee</td>
<td>January 2019</td>
</tr>
</tbody>
</table>

**ADMINISTRATION**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Matthew Wunder</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Ms. Yolanda Saldana-Bautista</td>
<td>Director, Employee Support Services</td>
</tr>
<tr>
<td>Mr. Tom Cox</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Mr. Steve Rabas</td>
<td>Director, Fiscal Services</td>
</tr>
</tbody>
</table>

See accompanying note to supplementary information.
## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-Through Grantor/Program or Cluster</th>
<th>CFDA Number</th>
<th>Entity Identifying Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U. S. DEPARTMENT OF EDUCATION:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through California Department of Education:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Title I, Part A, Basic Grants Low-Income and Neglected</td>
<td>84.010</td>
<td>14329</td>
<td>$208,528</td>
</tr>
<tr>
<td>Title II, Part A, Teacher Quality</td>
<td>84.367</td>
<td>14341</td>
<td>3,628</td>
</tr>
<tr>
<td>Title V, Part B, Public Charter Schools Grant</td>
<td>84.282A</td>
<td>14941</td>
<td>315,468</td>
</tr>
<tr>
<td>IDEA Basic Local Assistance Entitlement, Part B, Sec 611</td>
<td>84.027</td>
<td>13379</td>
<td>175,728</td>
</tr>
<tr>
<td><strong>Total U. S. Department of Education</strong></td>
<td></td>
<td></td>
<td><strong>703,352</strong></td>
</tr>
<tr>
<td><strong>U. S. DEPARTMENT OF AGRICULTURE:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through California Department of Education:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National School Lunch Program</td>
<td>10.555</td>
<td>13391</td>
<td>125,986</td>
</tr>
<tr>
<td><strong>Total U. S. Department of Agriculture</strong></td>
<td></td>
<td></td>
<td><strong>125,986</strong></td>
</tr>
<tr>
<td><strong>Total Federal Expenditures</strong></td>
<td></td>
<td></td>
<td><strong>829,338</strong></td>
</tr>
</tbody>
</table>

See accompanying note to supplementary information.
# Schedule of Average Daily Attendance

For the Year Ended June 30, 2016

<table>
<thead>
<tr>
<th>Classroom Based</th>
<th>Second Period Report</th>
<th>Annual Report</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Da Vinci Design:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regular ADA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grades 9 - 12</td>
<td>482.43</td>
<td>480.61</td>
</tr>
<tr>
<td>Special education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grades 9 - 12</td>
<td>2.12</td>
<td>2.53</td>
</tr>
<tr>
<td><strong>Total Average Daily Attendance - Classroom Based</strong></td>
<td>484.55</td>
<td>483.14</td>
</tr>
<tr>
<td><strong>Da Vinci Science:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regular ADA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grades 9 - 12</td>
<td>495.77</td>
<td>494.64</td>
</tr>
<tr>
<td>Special education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grades 9 - 12</td>
<td>1.89</td>
<td>1.99</td>
</tr>
<tr>
<td><strong>Total Average Daily Attendance - Classroom Based</strong></td>
<td>497.66</td>
<td>496.63</td>
</tr>
<tr>
<td><strong>Da Vinci Communications High:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regular ADA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grades 9 - 12</td>
<td>194.16</td>
<td>193.41</td>
</tr>
<tr>
<td>Special education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grades 9 - 12</td>
<td>1.31</td>
<td>1.46</td>
</tr>
<tr>
<td><strong>Total Average Daily Attendance - Classroom Based</strong></td>
<td>195.47</td>
<td>194.87</td>
</tr>
</tbody>
</table>

*Da Vinci Science and Da Vinci Communications High did not report non-classroom based average daily attendance during 2015-16. Da Vinci Innovation Academy did not report classroom based average daily attendance during 2015-16.*

<table>
<thead>
<tr>
<th>Non-Classroom Based</th>
<th>Second Period Report</th>
<th>Annual Report</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Da Vinci Design:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regular ADA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grades 9 - 12</td>
<td>27.59</td>
<td>27.97</td>
</tr>
<tr>
<td><strong>Total Average Daily Attendance - Non-Classroom Based</strong></td>
<td>27.59</td>
<td>27.97</td>
</tr>
<tr>
<td><strong>Da Vinci Innovation Academy:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regular ADA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grades K - 3</td>
<td>182.84</td>
<td>182.12</td>
</tr>
<tr>
<td>Grades 4 - 6</td>
<td>118.79</td>
<td>118.41</td>
</tr>
<tr>
<td>Grades 7 - 8</td>
<td>41.40</td>
<td>41.23</td>
</tr>
<tr>
<td><strong>Total Average Daily Attendance - Non-Classroom Based</strong></td>
<td>343.03</td>
<td>341.76</td>
</tr>
</tbody>
</table>

See accompanying note to supplementary information.
<table>
<thead>
<tr>
<th>Grade Span</th>
<th>Minutes Requirement</th>
<th>2015-16 Actual Minutes</th>
<th>Number of Days Traditional Calendar</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Da Vinci Design:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grades 9 - 12</td>
<td>64,800</td>
<td>65,640</td>
<td>175</td>
<td>Complied</td>
</tr>
<tr>
<td>Da Vinci Science:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grades 9 - 12</td>
<td>64,800</td>
<td>66,165</td>
<td>175</td>
<td>Complied</td>
</tr>
<tr>
<td>Da Vinci Communications High:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grades 9 - 12</td>
<td>64,800</td>
<td>65,935</td>
<td>175</td>
<td>Complied</td>
</tr>
</tbody>
</table>

*Da Vinci Innovation Academy did not report classroom based average daily attendance; therefore, there are no annual instructional minutes listed.*

See accompanying note to supplementary information.
There were no adjustments made to reconcile the fund balance reported on the Financial Report – Alternative Forms to net assets per the audited financial statements for the year ended June 30, 2016.
NOTE 1 – PURPOSE OF SCHEDULES

A. **Statements by Charter**

Da Vinci Schools statements of financial position, activities, and cash flows by charter provide information supporting the amounts incorporated in the Organization’s financial statements. In addition, to all California public charter schools, all other operating units of the Organization are also included.

B. **Charter Organizational Structure**

This schedule provides information about the charter schools’ authorizing agency, grades served, members of the governing body, and members of the administration.

C. **Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The Organization has not elected to use the 10 percent de minimis indirect cost rate.

D. **Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the charter school. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

E. **Schedule of Instructional Time**

Da Vinci Schools receives, as part of their local control funding formula sources, incentive funding for maintaining instructional time. This schedule presents information on the amount of instructional time offered by the Charters and whether each charter school complied with the provisions of Education Code Section 46200 through 46208.

F. **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile fund balance reported on the Financial Report – Alternative Form to net assets on the audited financial statements.
OTHER INDEPENDENT AUDITORS' REPORTS
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditors’ Report

To the Board of Trustees of
Da Vinci Schools
Hawthorne, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Da Vinci Schools (the “Organization”) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Organization’s basic financial statements and have issued our report thereon dated December 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (“internal control”) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White Associates

San Diego, California
December 12, 2016
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Independent Auditors’ Report

To the Board of Directors of
Da Vinci Schools
Hawthorne, California

Report on Compliance for Each Major Federal Program

We have audited Da Vinci Schools’ compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Da Vinci Schools’ major federal programs for the year ended June 30, 2016. Da Vinci Schools’ major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Da Vinci Schools’ major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Da Vinci Schools’ compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Da Vinci Schools’ compliance.
Opinion on Each Major Federal Program

In our opinion, Da Vinci Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Da Vinci Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Da Vinci Schools’ internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Da Vinci Schools’ internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California
December 12, 2016
REPORT ON STATE COMPLIANCE

Independent Auditors’ Report

To the Board of Trustees of
Da Vinci Schools
Hawthorne, California

Report on State Compliance

We have audited Da Vinci Schools’ compliance with the types of compliance requirements described in the 2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Da Vinci Schools’ state programs for the fiscal year ended June 30, 2016, as identified below. Reference to Da Vinci Schools within this letter is inclusive of Da Vinci Design, Da Vinci Science, Da Vinci Innovation Academy, and Da Vinci Communications High.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Da Vinci Schools’ state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the 2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Da Vinci Schools’ compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Da Vinci Schools’ compliance with those requirements.
Opinion on State Compliance

In our opinion, Da Vinci Schools complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying schedule of findings and questioned costs as Finding 2016-1. Our opinion on state compliance is not modified with respect to this matter.

Da Vinci Schools’ response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Da Vinci Schools’ response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine Da Vinci Schools’ compliance with the state laws and regulations applicable to the following items:

<table>
<thead>
<tr>
<th>Description</th>
<th>Da Vinci Design</th>
<th>Da Vinci Science</th>
<th>DV Communications High</th>
<th>Da Vinci Innovations Academy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educator Effectiveness</td>
<td>Yes/Not applicable*</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>California Clean Energy Jobs Act</td>
<td>No</td>
<td>No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>After School Education and Safety Program:</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proper Expenditure of Education Protection Account Funds</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unduplicated Local Control Funding Formula Pupil Counts</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Control and Accountability Plan</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independent Study – Course Based</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Immunizations</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charter Schools</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attendance</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mode of Instruction</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonclassroom-Based Instruction/Independent Study for Charter Schools</td>
<td>No/Not applicable**</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determination of Funding for Nonclassroom-Based Instruction</td>
<td>Not applicable</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Instructional Minutes – Classroom Based</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charter School Facility Grant Program</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Educator Effectiveness was not applicable to Da Vinci Communications High during 2015-16.

**Nonclassroom-Based Instruction was not applicable to Da Vinci Science and Da Vinci Communications High in 2015-16.

We did not perform procedures over the California Clean Energy Jobs Act for each school because no program funding was expended during the fiscal year ended June 30, 2016. We did not perform procedures over Nonclassroom-Based Instruction/Independent Study for Da Vinci Design because ADA was not material.

Christy White

San Diego, California
December 12, 2016
FINDINGS AND QUESTIONED COSTS SECTION
## FINANCIAL STATEMENTS

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of auditors’ report issued:</td>
<td>Unmodified</td>
</tr>
<tr>
<td>Internal control over financial reporting:</td>
<td></td>
</tr>
<tr>
<td>Material weakness(es) identified?</td>
<td>No</td>
</tr>
<tr>
<td>Significant deficiency(ies) identified?</td>
<td>None Reported</td>
</tr>
<tr>
<td>Non-compliance material to financial statements noted?</td>
<td>No</td>
</tr>
</tbody>
</table>

## FEDERAL AWARDS

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal control over major program:</td>
<td></td>
</tr>
<tr>
<td>Material weakness(es) identified?</td>
<td>No</td>
</tr>
<tr>
<td>Significant deficiency(ies) identified?</td>
<td>None Reported</td>
</tr>
<tr>
<td>Type of auditors’ report issued:</td>
<td>Unmodified</td>
</tr>
<tr>
<td>Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?</td>
<td>No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Identification of major programs:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CFDA Number(s)</td>
<td>84.282A</td>
</tr>
<tr>
<td>Name of Federal Program of Cluster</td>
<td>Title V, Part B, Public Charter Schools Grant</td>
</tr>
<tr>
<td>Dollar threshold used to distinguish between Type A and Type B programs:</td>
<td>$ 750,000</td>
</tr>
<tr>
<td>Auditee qualified as low-risk auditee?</td>
<td>Yes</td>
</tr>
</tbody>
</table>

## STATE AWARDS

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal control over state programs:</td>
<td></td>
</tr>
<tr>
<td>Material weaknesses identified?</td>
<td>No</td>
</tr>
<tr>
<td>Significant deficiency(ies) identified?</td>
<td>Yes</td>
</tr>
<tr>
<td>Type of auditors’ report issued on compliance for state programs:</td>
<td>Unmodified</td>
</tr>
</tbody>
</table>
There were no financial statement findings for the year ended June 30, 2016.
There were no audit findings and questioned costs related to federal awards during the year ended June 30, 2016.
FINDING 2016-1: UNDuplicAted LOCAL CONTROL FUNDING FORMula (LCfF) PUPIL COUNT (40000)

Criteria:  Students classified as English Learners (EL), who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List report must have supporting documentation that indicates the student was eligible for this designation.  The unduplicated local control funding formula pupil count affects the percentage used as data in calculating Local Control Funding Formula (LCFF) apportionment.  In accordance with CCR §11511(1)(b), “the English language proficiency of all currently enrolled English learners shall be assessed by administering the test (CELDT) during the annual assessment window” with the “annual assessment window” beginning on July 1 and ending October 31 of each school year.  Auditors are required to verify compliance with California Education Code Section 42238.02(b)(3)(B) in Section W of the 2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

Condition:  Based on review and testing of student designations from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List report for each charter, we noted the following:

- **Da Vinci Design:** For all students designated as EL, we noted exceptions for nine (9) of fourteen (14).  No documentation was provided for audit on two (2) students.  Based on review of documentation within the student cumulative file for the remaining seven (7) students, the assessment information indicated that the student should have been reclassified out of EL status prior to the start of the 2015-16 school year.

- **Da Vinci Science:** For all students designated as EL, we noted exceptions for one (1) of three (3).  The student was receiving EL support as part of an individualized education plan; however, no indication of an annual assessment either through CELDT or alternative methods was provided for audit.

- **Da Vinci Innovations Academy:** For all students designated as EL, we noted exceptions for one (1) of three (3).  There was no indication that the student’s EL status had been assessed since CELDT examination in 2013-14.

- **Da Vinci Communications High:** For all students designated as EL, we noted exceptions for four (4) of six (6) students.  No documentation was provided for audit on two (2) students.  There was no indication that the students’ EL status had been assessed since CELDT examination for the remaining two (2) students.

Effect:  The charter schools are not in compliance with State requirements.  A total of fourteen (14) students appeared to be improperly designated as EL; nine (9) for Da Vinci Design, one (1) for Da Vinci Science, one (1) for Da Vinci Innovations Academy, and four (4) for Da Vinci Communications High.  Errors were based on testing of 100% of the population where the error was discovered.
FINDING 2016-1: UNDuplicated LOCAL CONTROL FUNDING FORMULA (LCFF) PUPIL COUNT (40000), continued

Cause: Documentation for EL designations did not support the Unduplicated Pupil Count per charter school resulting in inaccuracies.

Questioned Costs: $5,363 as calculated below by charter school:

<table>
<thead>
<tr>
<th>Unduplicated Pupil Percentage (UPP) Audit Adjustment</th>
<th>Da Vinci Design</th>
<th>Da Vinci Science</th>
<th>Da Vinci Innovation Academy</th>
<th>Da Vinci Communications High</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Section 1: Regular UPP</td>
<td>Section 2: Alternative UPP</td>
<td>Section 1: Regular UPP</td>
<td>Section 2: Alternative UPP</td>
</tr>
<tr>
<td>1) Total Adjusted Enrollment from the UPP Exhibit as of P-2</td>
<td>1,621</td>
<td>1,566</td>
<td>1,534</td>
<td>1,575</td>
</tr>
<tr>
<td>2) Total Adjusted Unduplicated Count from the UPP Exhibit as of P-2</td>
<td>727</td>
<td>681</td>
<td>706</td>
<td>695</td>
</tr>
<tr>
<td>3) Number of Unduplicated Count audit adjustment</td>
<td>(9)</td>
<td>(1)</td>
<td>(1)</td>
<td>(4)</td>
</tr>
<tr>
<td>4) Revised Adjusted Unduplicated Pupil Count</td>
<td>718</td>
<td>672</td>
<td>705</td>
<td>694</td>
</tr>
<tr>
<td>5) UPP calculated at P-2</td>
<td>0.4485</td>
<td>0.4349</td>
<td>0.4543</td>
<td>0.4413</td>
</tr>
<tr>
<td>6) Revised UPP for audit finding</td>
<td>0.4429</td>
<td>0.4291</td>
<td>0.4537</td>
<td>0.4466</td>
</tr>
<tr>
<td>7) Greater of Revised UPP for audit finding from Section 1 or 2</td>
<td>0.4429</td>
<td>0.4537</td>
<td>0.0660</td>
<td>0.4277</td>
</tr>
<tr>
<td>8) Charter Schools Only: Determinative School District Concentration Cap</td>
<td>0.4884</td>
<td>0.4884</td>
<td>0.4884</td>
<td>0.4884</td>
</tr>
<tr>
<td>9) Revised UPP adjusted for Concentration Cap</td>
<td>0.4429</td>
<td>0.4537</td>
<td>0.0660</td>
<td>0.4277</td>
</tr>
<tr>
<td><strong>LCFF Target Base Grant Funding</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10) Total Base Grant Funding as of P-2</td>
<td>$4,507,344</td>
<td>$4,379,906</td>
<td>$2,590,274</td>
<td>$1,720,331</td>
</tr>
<tr>
<td><strong>LCFF Target Supplemental Grant Funding Audit Adjustment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11) Target Supplemental Grant Funding calculated as of P-2</td>
<td>$404,309</td>
<td>$397,958</td>
<td>$35,021</td>
<td>$151,217</td>
</tr>
<tr>
<td>12) Revised Target Supplemental Grant Funding for audit finding</td>
<td>$399,261</td>
<td>$397,433</td>
<td>$34,451</td>
<td>$147,157</td>
</tr>
<tr>
<td><strong>Target Supplemental Grant Funding Audit Adjustment</strong></td>
<td>$5,048</td>
<td>$5,048</td>
<td>$5,048</td>
<td>$5,048</td>
</tr>
<tr>
<td><strong>LCFF Target Concentration Grant Funding Audit Adjustment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14) Target Concentration Grant Funding calculated as of P-2</td>
<td>$18,785</td>
<td>$18,785</td>
<td>$18,785</td>
<td>$18,785</td>
</tr>
<tr>
<td>15) Revised Target Concentration Grant Funding for audit finding</td>
<td>$18,617</td>
<td>$18,617</td>
<td>$18,617</td>
<td>$18,617</td>
</tr>
<tr>
<td>16) Target Concentration Grant Funding Audit Adjustment</td>
<td>$168</td>
<td>$168</td>
<td>$168</td>
<td>$168</td>
</tr>
<tr>
<td><strong>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17) Total target supplemental and concentration audit adjustment</td>
<td>$5,048</td>
<td>$5,048</td>
<td>$5,048</td>
<td>$5,048</td>
</tr>
<tr>
<td><strong>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Floor and Gap</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18) Statewide gap funding rate</td>
<td>0.5255761597</td>
<td>0.5255761597</td>
<td>0.5255761597</td>
<td>0.5255761597</td>
</tr>
<tr>
<td>19) Estimated value of unduplicated pupil count audit adjustment for 2015-16</td>
<td>$(2,653)</td>
<td>$(276)</td>
<td>$(300)</td>
<td>$(2,134)</td>
</tr>
</tbody>
</table>

Recommendation: We recommend that all EL students be assessed annually and reclassified based on the reclassification policy established by the charter schools for CALPADS reporting purposes of ELAS designations. The results of the assessments should be communicated to those authorized with overseeing CALPADS reporting in order to reconcile the reported data to sufficient supporting documentation.

Organization’s Response: All EL students are assessed annually and reclassified as needed and a system has been developed to trace CALPADS data to source back-up documents. The Organization is currently working to provide extra training to school site staff as well as developing procedures to ensure CALPADS data is properly updated. The systems will be implemented and in place beginning with the 2016-17 school year.
FINDING 2015-1: ATTENDANCE (10000)

Criteria: In accordance with California Education Code Section 47612.5(a)(2), a charter school shall, as a condition of apportionment, maintain written contemporaneous records that document all pupil attendance and make these records available for audit and inspection.

Condition: Based on inquiry and observation at Da Vinci Design, the attendance accounting software had inaccurately included students as present for apportionment purposes yet written contemporaneous records of pupil attendance (signed teacher rosters) noted students as absent. This was noted for certain days in November and December 2014 and amounted to a total of 317 days of apportionment being overstated.

Effect: Errors or anomalies in system information went unnoticed and originally submitted data was inaccurate. Average daily attendance (ADA) reported on the original Period-Two (P-2) attendance report for Da Vinci Design was overstated by 2.46 ADA for grades 9 – 12.

Cause: During the end of the semester, the school offered “presentation of learning” days in which the school operated a different bell schedule. The master schedule within the attendance software was not properly set-up for this type of school day allowing for some students to inaccurately be included as present within the software. Instructors performed proper attendance procedures and noted student absences for the portion of the day that required student attendance yet further review of the overall day of attendance was not performed to detect the system error.

Questioned Cost: $21,432, calculated as 2.46 ADA multiplied by $8,712 (current year adjusted base grant per ADA for grades 9 – 12).

Recommendation: We recommend that coding be accurately set-up within the attendance accounting system and reviewed by appropriate personnel prior to submission of attendance data to the CDE. Additionally, it was recommended that a revised P-2 attendance report be submitted to the California Department of Education (CDE).

Charter’s Response: An amended P-2 attendance report with corrected ADA has been submitted to the CDE for Da Vinci Design. The attendance clerks have written procedures that they follow and reconcile absents on a daily basis. Also, Charter School Management Corporation (CSMC), a back-office provider, went to the school site in August 2015 to provide In-Service to Principals and Attendance Clerks as we continue to monitor our attendance reporting. CSMC will also provide ongoing training and support.

Current Status: Implemented
FINDING 2015-2: UNDUPlicated LOCAL CONTROL FUNDING FORMULA (LCFF) PUPIL COUNT (40000)

Criteria: Students classified as Free or Reduced Priced Meal (FRPM) eligible and/or English Learners (EL), who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List report must have supporting documentation that indicates the student was eligible for this designation. The unduplicated local control funding formula pupil count affects the percentage used as data in calculating Local Control Funding Formula (LCFF) apportionment. In accordance with CCR §11511(1)(b), “the English language proficiency of all currently enrolled English learners shall be assessed by administering the test (CELDT) during the annual assessment window” with the “annual assessment window” beginning on July 1 and ending October 31 of each school year.

Condition: Based on review and testing of student designations from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List report for each charter, we noted the following:

Da Vinci Science
- For all students designated as EL, we noted exceptions for three (3) of six (6). One (1) student should have been designated as EO (English Only) and two (2) should have been RFEP (Reclassified Fluent English Proficient) based on review of student cumulative information and staff inquiry.

Da Vinci Design
- For all students designated as EL, we noted exceptions for six (6) of eight (8). One (1) student should have been designated as EO and five (5) should have been RFEP based on review of student cumulative information and staff inquiry.
- For all students designated as both EL and FRPM, we noted an exception for one (1) out of twelve (12) students. Based on the lunch application and student cumulative data, the student should have been in the paid status and RFEP.

Da Vinci Innovations Academy
- For all students designated as FRPM, we noted exceptions for all seven (7). Three (3) of seven (7) had income verifications that did not agree with the FRPM designation and the remaining four (4) did not have income verifications or other documentation available to support the FRPM status.

Da Vinci Communications
- For all students designated as EL, there were no CELDT exam results, household language surveys, nor other documentation to support proper classification of EL status. Per inquiry, the two (2) students noted as EL were not included in the CELDT exam process as students should have been reclassified.

Effect: The Charter is not in compliance with State requirements. Errors in the Unduplicated Pupil Count per charter school are as follows: 7 of 494 for Da Vinci Design, 4 of 473 for Da Vinci Science, 7 of 42 for Da Vinci Innovation Academy, and 2 of 112 for Da Vinci Communications High. Errors were based on testing of 100% of the population where the error was discovered.

Cause: Documentation for FRPM and/or EL designations did not support the Unduplicated Pupil Count per charter school resulting in inaccuracies.
FINDING 2015-2: UNDUPLICATED LCFF PUPIL COUNT (40000), continued

Questioned Cost: $4,856 as calculated below:

<table>
<thead>
<tr>
<th></th>
<th>Da Vinci Design</th>
<th>Da Vinci Science</th>
<th>Da Vinci Innovation Academy</th>
<th>Da Vinci Communications High</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LCFF Target Base Grant Amount and Pupil Counts</strong></td>
<td>$4,257,729</td>
<td>$4,432,491</td>
<td>$2,276,731</td>
<td>$1,125,852</td>
</tr>
<tr>
<td>1) Total Base Grant Amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2) Total Enrollment Count from Unduplicated Pupil Percentage Exhibit</td>
<td>1,024</td>
<td>1,079</td>
<td>1,058</td>
<td>1,037</td>
</tr>
<tr>
<td>3) Unduplicated Pupil Count from Unduplicated Pupil Percentage Exhibit</td>
<td>448</td>
<td>494</td>
<td>462</td>
<td>473</td>
</tr>
<tr>
<td><strong>Unduplicated Pupil Percentage Adjustment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4) Unduplicated Pupil Count</td>
<td>448</td>
<td>494</td>
<td>462</td>
<td>473</td>
</tr>
<tr>
<td>5) Number of Unduplicated Pupil Count Adjustment (plus or minus)</td>
<td>(7)</td>
<td>(7)</td>
<td>(4)</td>
<td>(4)</td>
</tr>
<tr>
<td>6) Adjusted Unduplicated Pupil Count</td>
<td>441</td>
<td>487</td>
<td>458</td>
<td>469</td>
</tr>
<tr>
<td>7) Unduplicated Pupil Percentage calculated at P-2</td>
<td>43.75%</td>
<td>45.78%</td>
<td>43.67%</td>
<td>45.61%</td>
</tr>
<tr>
<td>8) Adjusted Unduplicated Pupil Percentage</td>
<td>43.07%</td>
<td>45.13%</td>
<td>43.29%</td>
<td>45.23%</td>
</tr>
<tr>
<td>9) Funded UPP (Greater of Section 1 or 2)</td>
<td>45.13%</td>
<td>45.23%</td>
<td>6.06%</td>
<td>41.04%</td>
</tr>
<tr>
<td><strong>Target Supplemental Audit Adjustment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10) Target supplemental grant funding calculated at P-2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>33,104</td>
</tr>
<tr>
<td>11) Adjusted target supplemental grant funding</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12) Target supplemental audit adjustment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Target Concentration Audit Adjustment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13) Target Concentration grant funding calculated at P-2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>14) Adjusted target concentration grant funding</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>15) Target concentration audit adjustment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Value of Adjustment in Current Year</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16) Total target supplemental and concentration audit adjustment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5,510)</td>
</tr>
<tr>
<td>17) Statewide gap funding rate</td>
<td>30.16%</td>
<td>30.16%</td>
<td>30.16%</td>
<td>30.16%</td>
</tr>
<tr>
<td>18) Estimated value of unduplicated pupil count audit adjustment for 2014-15</td>
<td>$ (1,669)</td>
<td>$ (1,016)</td>
<td>$ (1,662)</td>
<td>$ (509)</td>
</tr>
</tbody>
</table>
FINDING 2015-2: UNDUPLICATED LCFF PUPIL COUNT (40000), continued

**Recommendation:** We recommend that all household income information be retained by the charter schools to provide documentation of the students’ income for CALPADS reporting purposes of FRPM designations. Additionally, all EL students should be assessed annually and reclassified based on the reclassification policy established by the charter schools for CALPADS reporting purposes of ELAS designations.

**Charter’s Response:** The Charters maintain back-up information on all students qualifying for FRPM and will use this data to reconcile with CALPADS reports. All EL students are assessed annually and reclassified as needed and a system has been developed to trace CALPADS data to source back-up documents.

**Current Status:** Partially implemented. See Finding 2016-1.